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Increase in the Minimum Entrance Requirement

The proposal is to increase from eight to 12 the minimum number of insured weeks to qualify for unemployment insurance. Even with this increase, Canada will be the second most generous industrialized country in terms of entrance requirements for unemployment insurance, exceeded only by the Netherlands. Sweden's program requires 12 months of contributions, including five in the last year. Germany requires 26 weeks in the last three years, and the United Kingdom requires 26 in the previous year for minimum benefits and 50 weeks for maximum benefits.

The proposal to increase the entrance requirement was based on a two-year study, particularly on the analysis of the eight to eleven weekers.

About 330,000 individuals would receive benefits in 1976 on the basis of eight to eleven insured weeks...but this does not mean that at any moment of time in the year 330,000 people would be affected by the increased entrance requirement. Only about 50,000 individuals would not be able to receive benefits at any moment of time.

In the Atlantic Provinces, where the proportion of eight to eleven weekers is slightly higher than the national average, an estimated 10,000 individuals would not be able to find 12 weeks of insured employment immediately.

A new entrance requirement would not likely result in a significant increased dependency on welfare. The eight to eleven weekers are relatively young -- almost half under 25 years of age. Eighty per cent have no dependants and many are secondary earners in middle and higher income families.

Those in the eight to eleven week group have a tendency to move in and out of employment and in and out of the labour force. A survey of 1974 claimants found that 64 per cent of the eight to eleven week group had dropped out of the labour force by March 1975.

The drop-out rate is higher than for any other category of claimant and shows unemployment insurance has not succeeded in enabling short-term labour force attachments to establish or maintain satisfactory links with the job market.

A 1973 study of claimants who exhausted their benefits showed 70 per cent of those with eight to eleven insured weeks found a job within an average of six weeks after their claims ran out. This compares with a national average of 63 per cent for all claimants. In the Atlantic Region, the proportion finding work was 74 per cent.

Only eight per cent of those who exhaust claims go on welfare. This represents less than two per cent of the total number of claimants and only between one and two per cent of the total welfare claimload in Canada.

The eight to eleven week group is four times more likely to claim benefits than the average claimant. The cost of providing unemployment insurance to that group is 20 times the rate for the average claimant.

The group is more likely to have repeat claims than the average claimant. Only 30 per cent of the repeat claims are the result of jobs that are seasonal in nature. This figure compares with 43 per cent for those with major labour force attachments (20 or more insured weeks).

The suggestion to alter the entrance requirement according to regional rates of unemployment would be administratively cumbersome. It also would tend to attract workers to high unemployment regions to obtain unemployment insurance benefits.

The proposed three-phase benefit structure will benefit regions suffering from serious problems of high unemployment. Unlike the present arrangement, the proposed regionally extended benefits would be based directly on regional unemployment rates rather than the national unemployment rate and, therefore, would be better attuned to local conditions.

The government intends to reallocate resources from unemployment insurance savings to programs designed to deal more directly with the problems of the unemployed. Included are job creation, training and mobility programs. Amendments to the Unemployment Insurance Act would permit a more developmental use of U.I. funds, enabling the program to make a more direct contribution to alleviating the root causes of unemployment.

Regions, such as the Atlantic Provinces which suffer from chronic unemployment, will benefit significantly from the proposed programs.

A concerted employment strategy with the use of both Manpower and Unemployment Insurance funds will be facilitated by the proposed integration of the Department and the Commission.



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